

**Final Statement of Reasons for**  
**Adoption of Proposed Amendments to California Code of Regulations,**  
**Title 18, Section 1618, *United States Government Supply Contracts***

Update of Information in the Initial Statement of Reasons

The factual basis, specific purpose, and necessity for, and the anticipated benefits from, the proposed amendments to California Code of Regulations, title 18, section (Regulation) 1618, *United States Government Supply Contracts*, are the same as provided in the initial statement of reasons.

The adoption of the proposed amendments to Regulation 1618 was not mandated by federal law or regulations and there is no federal regulation that is identical to Regulation 1618, although changes to federal regulations are one of the reasons why the proposed amendments are necessary.

The State Board of Equalization (Board) did not rely on any data or any technical, theoretical, or empirical study, report, or similar document in proposing or adopting the amendments to Regulation 1618 that was not identified in the initial statement of reasons, or which was otherwise not identified or made available for public review prior to the close of the public comment period.

In addition, the factual basis has not changed for the Board's initial determination that the proposed regulatory action will not have a significant adverse economic impact on business and the Board's economic impact analysis, which determined that the Board's proposed regulatory action:

- Will neither create nor eliminate jobs in the State of California;
- Nor result in the elimination of existing businesses;
- Nor create or expand business in the State of California; and
- Will not affect the health and welfare of California residents, worker safety, or the state's environment.

The proposed amendments may affect small business.

No Mandate on Local Agencies or School Districts

The Board has determined that the adoption of the proposed amendments to Regulation 1618 does not impose a mandate on local agencies or school districts.

Public Comments

The Board did not receive any written comments regarding the proposed amendments to Regulation 1618 and no interested parties asked to speak at the public hearing on June 26, 2012.

Determinations Regarding Alternatives

By its motion, the Board determined that no alternative to the proposed amendments to Regulation 1618 would be more effective in carrying out the purposes for which the regulation is proposed, would be as effective and less burdensome to affected private persons than the adopted regulation, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provisions of law.

Further, the Board did not reject any reasonable alternatives to the proposed amendments to Regulation 1618 that would lessen any adverse impact the proposed amendments may have on small business or that would be less burdensome and equally effective in achieving the purposes of the proposed amendments. No reasonable alternative has been identified and brought to the Board's attention that would lessen any adverse impact the proposed action may have on small business, be more effective in carrying out the purposes for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law than the proposed action.

Furthermore, the Aerospace Industries Association (AIA) participated in the development of and agreed with the proposed amendments to Regulation 1618, as set forth in Formal Issue Paper 12-001. And, the Board's proposed amendments are anticipated to provide the following benefits:

1. Ensure that Regulation 1618 is consistent with the amendments made to chapter 1 of title 48 of the Code of Federal Regulations, the Federal Acquisition Regulation (FAR), effective June 14, 2007;
2. Eliminate confusion regarding the treatment of special tooling after the 2007 amendments to the FAR;
3. Explain that overhead materials are one example of indirect consumable supplies; and
4. Provide more certainty regarding sales for resale to the United States of direct consumable supplies and indirect consumable supplies, including overhead materials.